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DE RUEHIN #0046/01 0120904
ZNR UUUUU ZZH
R 120904Z JAN 10
FM AIT TAIPEI
TO RUEHC/SECSTATE WASHDC 3105
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UNCLAS AIT TAIPEI 000046

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DEPARTMENT PASS AIT/WASHINGTON

E.O. 12958: N/A
TAGS: [OPRC](#) [KMDR](#) [KPAO](#) [TW](#)
SUBJECT: MEDIA REACTION: U.S.-CHINA-TAIWAN RELATIONS

¶1. Summary: Taiwan's major Chinese-language dailies focused news coverage January 12 on yet another legislative by-election, which is slated for the end of February; on the year-end five city and county magistrate elections; on developments in cross-Straits relations; and on the visit by three-time Pulitzer Prize-winning New York Times columnist Thomas Friedman to Taiwan.

¶2. Several editorial and op-ed pieces continued to discuss U.S.-China-Taiwan relations in the wake of the U.S. beef row between Washington and Taipei and a recent Pentagon announcement that it has approved a contract for Patriot Advanced Capability (PAC-3) missiles for Taiwan. An editorial in the China-focused "Want Daily" said given the fact that the balance of power in U.S.-China relations is quickly tipping in favor of China, Taiwan needs to strengthen its trade and economic strength and start political talks with China as early as possible. An editorial in the pro-independence, English-language "Taipei Times" said China will unlikely succeed in its threats to use trade sanctions against U.S. companies such as Raytheon and Lockheed Martin. Two op-ed pieces in the "Want Daily" also discussed how Taiwan should position itself when sandwiched between the two big powers -- the United States and China. End summary.

A) "Patriot Advanced Capability Missiles and a People's Liberation Army Major General"

The China-focused "Want Daily" [circulation: 10,000] editorialized (1/12):

"... Given China's enhanced national strength, the Chinese factor in Taiwan-U.S. relations has gradually moved up to become a major cause. Taiwan needs to make preparations prudently in response to whether Beijing will beef up its protests [against the United States] by 'severing bilateral military exchanges' or other tougher measures in an attempt to influence the Obama administration [to not] agree to sell F-16 C/D fighter jets to Taiwan, or further, to fix a sunset clause [in terms of U.S. arms sales to Taiwan]. But how should Taiwan cope with such a development? In the short term, Taiwan must make best use of its trade and economic strength and turn it into a bargaining chip as it pursues balance in the triangular relationship between Washington, Beijing and Taipei. In the long term, the Ma administration must accelerate its pace in the progress of cross-Straits political negotiations so as to establish a truly stable cross-Straits relationship.

"Let's talk about the bargaining chip first. Both sides of the Taiwan Strait will soon sign an 'Economic Cooperation Framework Agreement' (ECFA), under which businesses from Taiwan and mainland China will deepen their cooperation in areas such as information electronics, retail trade, telecommunications, finance, energy and environmental protection -- a move which will greatly advance their competitiveness in the world. On the other hand, Taiwan must also open its market to mainland China. When U.S. businesses no longer enjoy the edge, U.S. interests in the markets of Taiwan and China will surely be impacted, and this is something Washington will surely take into consideration.

"Regarding the issues that Washington is concerned with -- management of beef, rice, and the Bureau of National Health Insurance's-related pharmaceutical pricing system; those that are closely related to the interests of U.S. firms in Taiwan --telecommunications, finance, energy and environmental protection; as well as the issues that the United States and Taiwan have been working on in the Chinese market, Taiwan can come up with a 'negotiation package' and quickly ask Washington to agree to hold the talks under the 'Trade and Investment Framework Agreement (TIFA).' That way both sides can negotiate to resolve the dispute over [U.S.] beef [imports] and other issues of common interest under the TIFA structure.

"In the long term, the balance of power in U.S.-China relations is quickly tipping in favor of China, and the foundation on which [National Security Council Secretary-General] Su Chi's doctrine of keeping the triangular balance between Washington, Beijing and Taipei is based is getting weaker and weaker. Taiwan is quickly losing its ground for pursuing a balanced relationship. There are only two strategies for Taiwan to deal with [such a development]: namely, to strengthen its trade and economic strength so as to increase its bargaining chips toward the United States and China, and to speed up cross-strait political talks so as to stabilize cross-strait relations as early as possible."

B) "PRC Barks Sanctions, But Can It Bite?"

The pro-independence, English-language "Taipei Times" [circulation: 30,000] editorialized (1/12):

"... One thing that Beijing did differently this time, however, was up the ante by hinting that the sale could result in trade sanctions

against the US firms involved. This unprecedented threat -- ostensibly targeting Lockheed Martin Corp, which was awarded a contract to sell Taipei an unspecified number of Patriot missiles -- was yet another sign that China now perceives itself as a "Great Power" and that it can now threaten countermeasures that hitherto had mostly been the remit of leading states like the US, or groups like the EU. For years, the US, the EU and a handful of Western countries have relied on targeted trade sanctions against 'rogue regimes,' such as North Korea and Iran, as well as China, to punish their leadership, encourage a change in behavior, exact an economic price and prevent those states from acquiring certain technologies with military applications. ...

"After years of being on the receiving end of sanctions, China now believes it has enough clout to enter the game. On paper, the threat could make Lockheed Martin, which, among other items, sells commercial aircraft engines, sit up and pause, given that outside the US, China is the biggest market for commercial aircraft. If Beijing were to act on its threat and impose trade sanctions on the US firm, the result could be billions of dollars in losses. Closer scrutiny of trade sanctions, however, quickly reveals the limitations in China's threat, especially when the targeted entity happens to be a US company. The effectiveness of trade sanctions, especially when they are meant as economically punitive measures, is highly dependent on a state's dependence on exports for its economic growth. World Bank data for 2008 shows that 35 percent of China's GDP depends on exports (32 percent for Iran), while it is about 11 percent for the US.

"Therefore, China's trade sanctions as a means to bring about a change in government behavior are far less likely to succeed than vice-versa. Furthermore, as China does not have technologies that the US does not possess, it cannot rely on sanctions to deny the US technology that it seeks. Furthermore, if Beijing were to resort to such countervailing measures to punish Lockheed, or the US, for selling weapons to Taiwan, the US could -- and likely would -- hit back with sanctions of its own, which could quickly escalate into a trade war that export-dependent China is ill-equipped to wage. As a last resort, Washington could also go to the WTO and accuse China of breaking international trade laws. ... This said, the fact that China now sees trade sanctions as part of its arsenal should be alarming to Taipei, which is much more vulnerable than the US to such measures and will only become more so as it increases its

economic dependence on China by signing memorandums of understanding and an economic cooperation framework agreement (ECFA)."

C) "[Sandwiched] between the Two Powers -- the United States and China, How Is Taiwan Going to Position Itself?"

Professor Edward Chen from Tamkang University's Graduate Institute of American Studies opined in the China-focused "Want Daily" [circulation: 10,000] (1/11):

"... The international situation is changing in the blink of an eye, yet the Ma administration knows that the strategic option that can best serve the interests of the Republic of China is to 'harmonize with China, befriend Japan, and maintain a close relationship with the United States,' which should be upheld firmly. Scholars like Bruce Gillery are unaware that in the wake of China's rise, more and more countries are coming to Taiwan in an effort to obtain a better understanding of the developments in cross-strait relations, or to build cooperative ties with our country that are more intimate than before. Judging from the fact that Washington still decides to continue arms sales to Taiwan following the [controversy over the] U.S. beef issue, one can tell that the United States' cross-strait policy continues to stand on the foundation of the three [U.S.-China] communiques and the Taiwan Relations Act. This is because only in doing so can U.S. interests best be served. As a result, the Republic of China not only does not need to revise its current policy of 'harmonizing with China, befriend Japan and maintaining a close relationship with the United States' but should also further strengthen it."

D) "It Is Not the Time to Conclude [That the United States] Is Breaking away from Taiwan and tilting toward China"

Liang Wen-chieh, Director for the "New Society for Taiwan" thinktank, opined in the China-focused "Want Daily" [circulation: 10,000] (1/11):

"... It goes without saying that it is a result of the economic strength of two countries drawing closer that the relations between the United States and China have changed from an adult against a child thirty years [ago] to the current state of the two countries standing almost on an equal footing. Yet Washington's foreign policy has never been leaning lopsided on one side; instead, 'engage and hedge' is close to becoming a deeply-rooted idea among the Americans. In the face of the rise of a big country whose ideology is quite different from its own, it will be even more unlikely for

the United States to totally abandon its hedge measures. ...

"Same with the Taiwan issue. Given its double-faced strategy of 'engaging and hedging' with China, it is unlikely that Washington will openly oppose both sides of the Taiwan Strait engaging in political negotiations. Nor is it likely that it will sell F16 C/D fighter jets to Taiwan. Nonetheless, Washington may not be too happy to see both sides of the Taiwan Strait walking closely together in a very short period of time. As a result, it will still sell Taiwan the weapons it plans to sell, including the anti-ballistic missile system, Blackhawk helicopters and diesel-fueled submarines. ..."

STANTON